Half Year Report

31 December 2019

We deliver property intelligence to help government, business and the public make better decisions. This is essential for New Zealand's prosperity and wellbeing.

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Chair and Chief Executive Report

We have had a promising half year for Quotable Value Limited (QV) Group.

Introduction

We are pleased to present the half year to 31 December 2019 report, reflecting positive progress against our strategy. Our half year results continue to be stronger year-on-year, achieving an EBITDA of $4.7m. QV core operations were strong, particularly rating valuation services, due to the cyclical nature of the contracts.

QV's core business is in Council rating valuations throughout New Zealand and New South Wales, Australia. In Australia these are carried out annually, and in New Zealand they are every three years. The 2020 New Zealand programme includes 21 Council triennial rating valuation projects. We are pleased to report all 21 valuation projects, comprising of more than 580,000 properties, have been completed and have been approved by the Office of Valuer General. The revaluations spanned the length of New Zealand from the Far North through to Gore, and ranged in size from a few thousand properties, to more than 170,000 in Christchurch City.

The planning, management, and technical capability required to complete such a large volume of revaluations cannot be underestimated, and we are proud to have delivered them on time, and to the audited standards set by the Office of the Valuer General. We will now begin to manage the objections for these revaluation projects. The objection process is a requirement of the rating valuation regulations and will be completed in the remaining two quarters of the year.

We are also preparing for the rating valuations scheduled for next financial year, in which the country's largest revaluation, Auckland Council, is due. Our rating valuation roll maintenance work includes updates to valuations due to the completion of building consents and subdivisions, and will continue to be managed across the year.

As outlined in our 2018/19 Annual Report, we have now merged Darroch into QV. The legal amalgamation successfully took place on 1 November 2019 and the integration of the team and processes are progressing well. The decision to amalgamate has signalled our clear commitment to the future of Darroch. A key objective of the merger is to share resources and reduce overheads. A number of initiatives are underway to leverage the opportunities available with the closer working relationships across the QV business units, and benefits are already being realised with the half year outcome better than the comparative prior year. The Board are monitoring the transition benefits which are expected to be reflected in our results over the next 12 months.

We welcomed new Directors Hon Mark Burton, Mads Moller and Alex Skinner over the six-month reporting period, ensuring we now have a full complement on the Board.

QV continues to focus on delivering greater value from our existing operations and we are committed to operating responsibly for our shareholder.

Financial performance

QV is pleased with the performance of the Group for the six-month period to 31 December 2019. The profit after tax of $2.477m for the six-month period ending 31 December 2019, compared to 2018's half year loss of $0.214m. Group revenue and other income was $21.060m, up by 21% against prior half year.

The outcome reflects rating services which are in the second largest triennial rating valuation year compared to last year's lowest volume year. We have also had a strong focus on managing costs, contributing to a positive improved gross margin against the prior period. These results also include the Darroch business which was amalgamated into QV from 1 November 2019.

The financial results have been impacted by the implementation of NZ IFRS 15 revenue accounting standard that first applied to the Group for the year ended 30 June 2019. Prior to adopting NZ IFRS 15, a significant portion of revenue was recognised under one contract fee, with the full fee recognised in an equal instalment each month over the full contract term.

Financial position

The structure of the Group balance sheet remains conservative with cash on hand at 31 December of $2.525m, compared to $1.577m in the prior period. Term debt of $2.490m reflects investment in technology and ongoing transformation programme. The Group remains focused on managing costs, this has resulted in an improvement in working capital at 31 December 2019 of 191.02% against prior year comparative of 124.61%.

As is common with many professional service businesses, debt gearing is managed carefully. The Board's view is that this should always be less than 20% and within banking covenants of 30%. With the Holidays Act (2003) liability detailed calculations yet to be completed, the capital investments and annual dividend payment have been deferred to manage the cash position. At 31 December 2019 gearing was -0.33%, compared to 13.9% in the prior comparative period, reflecting improvement of cash on hand and conservative debt position.

Looking ahead

A key focus for the team is to stay close to our customers as looking ahead in 2020 we have a large number of long-term contracts due to expire in a competitive environment. Contract renews are a regular feature of our sector and we work hard to retain these relationships. The contracts include rating valuation services, asset valuations for financial reporting in Darroch and QV businesses, and contracts for property and lease management services in the Darroch business. Discussions are underway with customers and contract renewal planning is in place.

Another focus will be on realising benefits from the amalgamation of Darroch into the QV business. A key objective of the merger is to share resources and reduce overhead, helping Darroch to return to profitability.

It has been a busy first half and we would like to acknowledge the dedication of our people and our stakeholders to further develop the Group.

Gregory Fortuin Chair

Jacquie Barker CEO

Strategic Highlights

Delivering against our strategy

QV's core business is focused on delivering property intelligence to help government, business and the public make better decisions. Property is New Zealand's biggest asset class. Robust and equitable property intelligence drives our national and regional economies and contributes to areas such as rates and taxation, construction and infrastructure planning, as well as disaster planning and environmental protection.

We are trusted to provide information to our local and central government and business customers, as well as to the general public so that they can make more informed decisions. We are continually pushing boundaries to deliver more across our existing operations and to solve customer challenges.

We are committed to being commercially successful, enabling ongoing investment in our technology and people, while delivering sustainable returns to our shareholder and New Zealand. The Board is pleased with our progress against this strategy for the first half of the year.

Continued improvements to our financial systems and controls

We continue to focus on improving our internal controls and compliance in line with public entity best practice. During the previous reporting period, our auditors, Audit New Zealand, completed the audit for the year ended 30 June 2019. The Board is pleased to report that the QV Group's environment, systems and controls (ESCO) grade for financial information systems and controls has been upgraded from the previous financial year.

We have rolled out a new module of our upgraded financial management information system, an online digital platform capturing supplier invoices and approval process. This has seen improvements in business efficiencies along with enhanced controls around the supplier vendor approval and expense allocation process. An online travel tool with delegation authority has also been implemented.

We are continuing our work on improving our payroll system to comply with the Holidays Act 2003 ("Act"). Similar to many New Zealand public and private organisations, we identified issues with the calculations of leave entitlements. The first phase of this project is to ensure the current system is compliant with the Act. This work was undertaken over this period and will be implemented into the business next quarter. The following phase will require a detailed analysis of the liability at an individual level of the over and under payments. Once this is known, QV will seek guidance on the options available to rectify the leave balances for both current and past employees.

Realising opportunities from new technology

Investment in technology to support existing and new business opportunities continues to be a strategic priority. Technology provides new opportunities, helping us to deliver new solutions and approaches for our customers, as well as enabling efficiency gains through automating key processes. We have implemented and advanced a range of systems to drive operational efficiencies and improved performance.

We continue to develop our Monarch platform which provides tools and interfaces that no other provider in the market has delivered. During the first half of the year, we successfully implemented a new tool to improve our ongoing roll maintenance for residential rating valuations. The new tool allows the automation of information following the completion of building consents and ensures consistency in the rating valuations. QV completes approximately 70,000 of these updates to rating valuations per year. We are focused on ensuring a robust, accurate process which provides equitable and trusted valuations for ratepayers.

Supporting the health, safety and wellbeing of our people

QV holds itself to the highest standards when it comes to the safety of our people, ensuring we operate responsibly as a business is a key focus. Ensuring our contractors are well supported has been a focus this year. We maintain PREQUAL, an independently managed service that provides contractors with an indication of their ability to perform work safely. It enables a contractor to demonstrate they have been independently assessed and can be trusted to work safely to get the job done. Over the reporting period, PREQUAL provided an independent assessment of QV's safety capability, commitment and competence. The assessment results awarded QV a 5 Star rating, the highest possible rating.

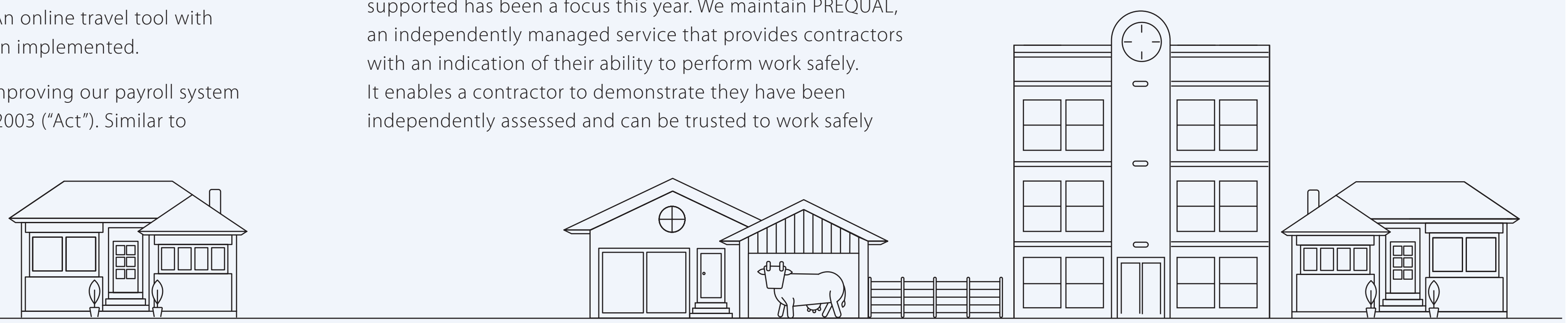
Wellbeing is also a focus for our team. QV is a people business and the safety and wellbeing of our team is of paramount importance. To ensure the Board has a clear overview of the safety, health and wellbeing of the organisation we have developed a health and wellbeing dashboard which allows us to accurately track and understand key issues affecting our team. This will continue to be a focus for management and the Board.

Our experienced and diverse team

QV is a property professional services business and our people are a key differentiator. We are constantly looking for talent across our rating, asset and market valuation businesses. Recruitment of qualified valuers is a key focus for the business as we move towards the 2020/21 year, the busiest year within the three year rating valuation cycle. We compete with a growing property sector that has the ability to offer attractive employment options. We are very successful in growing our own talent, employing and training more graduate valuers than anyone else in New Zealand, but recognise this takes time.

We are proud of our broad and diverse team. Our people are based throughout regional New Zealand and New South Wales, Australia. They come from a variety of backgrounds and cultures, ensuring they closely reflect the customers they serve. It also provides us with diversity of thought, ensuring we can be more innovative in how we work and what we do.

Our gender mix is currently 42% female and 58% male. As it stands, females in leadership positions exceed 50%, and 30% of our valuers are female – which is higher than the industry average. We are committed to maintaining diversity across the business.



QV: delivering property intelligence to help government, business and the public make better decisions

Our market environment

Customers expect more

- We are operating in a rapidly changing market
- Customers are expecting more for less
- Collaboration creates new possibilities

Technology provides new opportunities

- Enabling real-time data intelligence
- Achieving efficiency gains through automation

Meeting shareholder and societal expectations

- Driving for commercial success
- Delivering greater societal value

Our scope of activities

Market valuations

Specialist property valuations for the residential, commercial and rural sectors

Rating valuations

Rating valuations provided for 87% of the New Zealand councils and 17% in NSW, Australia

Asset valuations

Independent, specialist asset valuations for financial reporting purposes

Property management

Property portfolio management for private and public sector organisations

Property intelligence and tools

Providing market intelligence, data analytics, tools and customised solutions

- QV CostBuilder
- SalesDirect
- QV Homeguide
- Database management

Our core customers

While most New Zealanders benefit from our property data and intelligence, our core customers are:

- Central government, including departments and other SOEs and Crown entities
- Local government, including city, district and regional councils across New Zealand and NSW, Australia
- Business, including banking/insurance, property, construction and education

Our strategy

Partnering

We are trusted by our customers and the wider sector to facilitate accessible and comprehensive property data and intelligence

Pushing boundaries

We are continually pushing boundaries to deliver more across our existing operations and to solve customer challenges

Operating responsibly

We are committed to being commercially successful, enabling ongoing investment in our technology and people, while delivering sustainable returns to our shareholder and New Zealand

Our core strengths

- We are New Zealand owned and operated, and invested in New Zealand's wellbeing
- We employ 250 property experts, who are on the ground across all New Zealand regions and NSW, Australia
- We have strong market presence and wide reach, working with central and local government and a broad range of business customers
- We have a trusted reputation and strong brand recognition with customers and the public
- We have invested in sector leading and next generation technology platforms

Financial statements

for the six months ended 31 December 2019

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2019

	Notes	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Income				
Trading revenue	2	21,072	17,368	34,168
Total income		**21,072**	**17,368**	**34,168**
Operating costs and other expenses	3	**16,404**	**16,932**	**33,259**
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		**4,668**	**436**	**909**
Interest revenue		(6)	(7)	(16)
Interest expense		86	40	82
Depreciation and amortisation		1,094	703	1,418
Profit/(loss) before taxation		**3,494**	**(300)**	**(575)**
Income tax expense/(revenue)		1,017	(86)	(19)
Profit/(loss) for the year net of tax		**2,477**	**(214)**	**(556)**
Profit/(loss) for the year is attributable to:				
Equity holders of the parent		2,477	(214)	(556)
		2,477	**(214)**	**(556)**
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss:				
Translation of foreign operations		(18)	9	(16)
Other comprehensive income for the year net of tax		**(18)**	**9**	**(16)**
Total comprehensive income for the year		**2,459**	**(205)**	**(572)**
Total comprehensive income is attributable to: Equity holders of the parent		**2,459**	**(205)**	**(572)**

Condensed Consolidated Statement of Changes in Equity

for the six months ended 31 December 2019

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Fully paid ordinary shares			
Balance at opening	4,600	4,600	4,600
Closing balance	**4,600**	**4,600**	**4,600**
Retained earnings			
Balance at opening	3,370	3,528	3,528
NZ IFRS 15 adjustment	-	-	398
Total comprehensive income for the period net of tax	2,477	(214)	(556)
Payment of dividends	(240)	-	-
Closing balance	**5,607**	**3,314**	**3,370**
Foreign currency translation reserve			
Balance at opening	225	241	241
Total comprehensive income for the period net of tax	(18)	9	(16)
Closing balance	**207**	**250**	**225**
Total	**10,414**	**8,164**	**8,195**

Condensed Consolidated Statement of Financial Position

as at 31 December 2019

	Dec-19 (unaudited) NZ$000	Dec-18 (unaudited) NZ$000	Jun-19 (audited) NZ$000
Current assets			
Cash and cash equivalents	2,525	1,577	1,249
Taxation receivable	-	343	-
Trade and other receivables	4,405	5,026	5,373
Contract assets	4,446	-	1,820
Total current assets	**11,376**	**6,946**	**8,442**
Non-current assets			
Property and equipment assets	166	254	201
Right-of-use assets	3,554	-	-
Goodwill	659	1,148	659
Intangible assets	6,637	6,861	7,074
Deferred taxation	-	414	477
Total non-current assets	11,016	8,677	8,411
Total assets	**22,392**	**15,623**	**16,853**
Current liabilities			
Contract liabilities	1,129	-	2,200
Trade and other payables	1,305	1,695	2,079
Borrowings	-	396	1,780
Provisions	-	71	-
Make good provision	50	-	49
Taxation payable	575	-	28
Employee entitlements	2,194	2,608	2,027
Lease liabilities	702	-	-
Total current liabilities	**5,955**	**4,770**	**8,163**
Non-current liabilities			
Borrowings	2,490	2,392	-
Employee entitlements	-	-	236
Make good provision	258	297	259
Lease liabilities	2,881	-	-
Deferred tax	394	-	-
Total non-current liabilities	**6,023**	**2,689**	**495**
Total liabilities	**11,978**	**7,459**	**8,658**
Net assets	**10,414**	**8,164**	**8,195**
Equity			
Issued capital	4,600	**4,600**	**4,600**
Foreign currency translation reserve	207	**250**	**225**
Retained earnings	5,607	3,314	3,370
Total Equity	**10,414**	**8,164**	**8,195**

For and on behalf of the Board who authorised the issue of these financial statements on 26 February 2020.

Gregory Fortuin Director

Kim Wallace Director

Condensed Consolidated Statement of Cash Flows

for the six months ended 31 December 2019

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Cash flows from operating activities			
Cash was provided from:			
Revenues from operations	18,595	18,829	35,955
Interest received	-	7	16
Net GST (paid)/received	365	-	(81)
	18,960	18,836	35,890
Cash was applied to:			
Payments to employees and suppliers	(16,975)	(18,315)	(33,154)
Interest paid	-	(40)	(82)
Income tax paid	(516)	(153)	(56)
	(17,491)	(18,508)	(33,292)
Net cash flows from operating activities	1,469	328	2,598
Cash flows from investing activities			
Cash was provided from:			
Proceeds from sale of property and equipment	-	-	16
Cash was applied to:			
Purchase of property and equipment, and intangible assets	(565)	(809)	(2,400)
Net cash flows from investing activities	(565)	(809)	(2,384)
Cash flows from financing activities			
Cash was provided from:			
Loan advance	1,300	216	-
Dividends and Interest received	6	-	-
Cash was applied to:			
Loans repayments	(590)	-	(792)
Dividends paid	(240)	-	-
Interest paid	(86)	-	-
Net cash flows from financing activities	390	216	(792)
Net increase (decrease) in cash and cash equivalents	1,294	(265)	(578)
Exchange rate translation reserve	(18)	15	-
Plus opening cash	1,249	1,827	1,827
Closing cash balance	2,525	1,577	1,249
Cash and cash equivalents	2,525	1,577	1,249

Notes to the Condensed Consolidated Interim Financial Statements

for the six months ended 31 December 2019

1. Summary of accounting policies

Reporting entity

These are the unaudited condensed consolidated interim financial statements of Quotable Value Limited (the Parent) and its subsidiary. Quotable Value Limited is a State-Owned Enterprise in terms of the State-Owned Enterprises Act 1986. The Group comprises Quotable Value Limited which is registered under the Companies Act 1993 and Quotable Value Australia Pty Limited which is registered in Australia under the Corporations Law.

The Parent is incorporated and domiciled in New Zealand and is wholly owned by the Crown. Its principal activity is the provision of property valuations and data. The Companies in the Group are designated as for profit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and complying with GAAP.

Statement of compliance

These condensed unaudited consolidated interim financial statements as at and for the six months ended 31 December 2019 have been prepared in accordance with, and comply with, Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and NZ IAS 34 *Interim Financial Reporting*. In complying with NZ IAS 34, these statements comply with NZ IAS 34 *Interim Financial Reporting*. These interim financial statements should be read in conjunction with the 2019 Annual Report.

The information is presented in thousands of New Zealand dollars unless otherwise stated. The financial information contained in this report has not been audited.

Basis of measurement

The accounting policies set out in the Annual Report for the year ended 30 June 2019 have been applied consistently to all periods presented in these unaudited condensed consolidated interim financial statements, with the exception of those impacted by the new accounting standards detailed below.

Accounting judgements and estimates

In preparing these financial statements, the Group has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The judgements and estimates used in the preparation of these interim financial statements are consistent with those used in the annual report for the year ended 30 June 2019.

Changes in significant accounting policies

Other than detailed below, the accounting policies applied are consistent with those of the annual audited financial statements for the year ended 30 June 2019, as described in those annual financial statements.

1. Summary of accounting policies (continued)

Impact of application of NZ IFRS 16 Leases

From 1 July 2019, the Group has adopted NZ IFRS 16 Leases. NZ IFRS 16 introduces a single model for lessees which recognise all leases on the balance sheet through an asset representing the right to use (ROU) of the leased item during the lease term and a liability for the obligation to make lease payments. In accordance with NZ IFRS 16, the Group used the modified retrospective approach with the ROU asset being equal to the lease liability as at the commencement date for all leases at 1 July 2019. Comparative figures for the year ended 30 June 2019 are not restated, but instead continue to reflect the accounting policies under NZ IAS 17 Leases.

Note that as of 31 December 2019, the Group has accounted for the impact of NZ IFRS 16 Leases in line with the workings prepared for the Statement of Corporate Intent FY20-22, and will complete the full impact assessment by 30 June 2020.

The Group has applied the practical expedient available on transition to NZ IFRS 16 and thus has not reassessed whether a contract is or contains a lease. The Group recognised lease liabilities in relation to leases which had previously been classified as an 'operating lease' under NZ IAS 17. The lease liabilities are initially measured at the present value of the remaining unpaid lease payments as of 1 July 2019, discounted using the applicable discount rate.

The Group has adopted NZ IFRS 16 using the modified retrospective approach with the ROU asset being equal to the initial measurement of the corresponding leased liability for all existing leases at 1 July 2019 and any initial direct costs. The ROU assets are subsequently measured at cost and then depreciated on a straight line basis over the remaining period of the lease or useful life. Costs incurred with a lease that are not part of the cost of the ROU asset are expensed.

Leases consist of premises leased across New Zealand and New South Wales, Australia

Where the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under NZ IAS 37 Provisions, contingent liabilities and contingent assets (NZ IAS 37). The costs are included in the related ROU asset. The ROU assets are presented as a separate line in the balance sheet.

The Group applies NZ IAS 36 to determine whether a ROU asset is impaired and accounts for any identified loss under the same policy adopted for property, plant and equipment.

The Group has also elected to apply practical expedient available under NZ IFRS 16 for short-term leases (lease term of 12 months or less) and leases of low-value assets. This expense is presented within other operating expenses in the income statement.

The weighted average incremental borrowing rate applied to lease liabilities on 1 July 2019 was 2.9%.

1. Summary of accounting policies (continued)

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Leases with a remaining term of 12 months or less from the date of application have been accounted for as short-term leases (i.e. not recognised on balance sheet) even though the initial term of the leases from lease commencement date may have been more than twelve months.

Impact on the statement of cash flows for the six months ended 31 December 2019 under NZ IFRS 16, lessees must present:

- Short-term lease payments and payments for leases of low-value assets as part of operating activities;
- Cash paid for the interest portion of lease liability as operating activities; and
- Cash payments for the principal portion of lease liabilities, as part of financing activities.

Under NZ IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Comparative numbers have not been restated.

The adoption of NZ IFRS 16 did not have an impact on net cash flows.

Impact of standards issued but not yet applied by the entity

There are no other new standards, amendments or interpretations that have been issued and are effective that are expected to have a significant impact on the Group.

2. Trading revenue

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Revenue from rendering services comprises of:			
Quotable Value Limited	17,380	12,603	25,196
Quotable Value Australia Pty Limited	1,798	2,014	3,734
Darroch Limited[1]	1,894	2,751	5,238
Total trading revenue	21,072	17,368	34,168

[1] From 1 November 2019, Quotable Value Limited and Darroch Limited has amalgamated by way of section 222 of the Companies Act 1993, with Darroch Limited ceasing to exist on 1 November 2019.

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Revenue from rendering services[2]	-	17,368	-
Triennial general valuations	13,592	-	18,858
Other valuation services	3,782	-	8,305
Database management services	878	-	1,470
Property management services	876	-	1,859
Property valuations	1,559	-	3,303
Disbursements	385	-	373
Total trading revenue	21,072	17,368	34,168

[2] Note that revenue from rendering services for the six months ending 31 December 2018 has been disclosed in total as the Group adopted NZ IFRS 15 from 1 July 2018 using the modified retrospective approach as such, the comparatives have not been restated.

All transactions between entities and Directors within the Group were at normal market prices and on normal commercial terms.

There are no guarantees to or from any related parties.

3. Operating costs and other expenses

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Personnel expenses	11,221	11,565	21,897
Operating expenses			
Communication	166	204	388
Computer operating	1,699	2,019	3,852
Travel and vehicle	347	394	727
	2,212	2,617	4,967
Marketing expenses	79	115	204
Occupancy expenses[3]	368	821	1,584
Administration expenses	537	468	923
Consulting expense[4]	788	283	1,134
Other expenses			
Board	92	137	245
Direct valuation costs	621	457	911
Impairment expense	-	-	489
Insurance	331	327	663
Research and development	-	59	83
Other expenses	155	83	159
	1,199	1,063	2,550
Total operating costs and other expenses	16,404	16,932	33,259

Total operating costs and other expenses for the six months to 31 December 2019 are lower than the comparative six month period resulting from improved cost control resulting from productivity benefits from new process and reduced spends in computer and marketing.

[3] Occupancy expenses for the six months ending 31 December 2019 is lower than the prior year comparative resulting from the adoption of NZ IFRS 16 from 1 July 2019 using the modified retrospective approach, as such, the prior period comparative has not been restated. Under NZ IFRS 16, occupancy expense for office premise lease rentals are now recognised as interest expense and amortisation expense.

[4] Consulting fees have increased relative to the prior year comparative resulting from one time activities associated with the Darroch amalgamation, implementation of new accounting standards and other compliance requirements.

4. Related party information

(a) Related party transactions with entities related to key management personnel and Directors

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Agribusiness NZ (Director's Fees)	12	-	-
AgResearch Limited (Sales)	-	48	-
Alex Skinner Limited	3	-	-
Burton Partners (Director's Fees)	9	-	-
Duncan Cotterill - valuation (Accounts receivable)	-	-	10
Duncan Cotterill - valuation (Director's Fees)	-	-	54
Duncan Cotterill - valuation (Sales)	-	6	9
Kim Wallace Limited (Director's Fees)	18	-	-
Marcon Holdings Limited (Director's Fees)	15	-	25
Mr G Fortuin (Accounts payable)	5	-	-
Mr G Fortuin (Director's Fees)	21	-	-
Multorum Limited (Director's Fees)	3	-	-
Paula Jackson Consulting Limited (Director's Fees)	10	-	-
Driller Holdings Proprietary Limited	2	-	-
Stratus Limited (Sales)	-	-	12

All transactions between entities and directors within the group were at normal market prices and on normal commercial terms. There are no guarantees to or from any related parties.

b) Share ownership

As Quotable Value Limited Group is a State Owned Enterprise all shares are owned by the Crown.

(c) Other related party

Other related parties are materially consistent with those disclosed in the 2019 Annual Report other than Darroch was amalgamated into Quotable Value Limited from 1 November 2019. Related party transactions with Quotable Value Australia Pty Limited is undertaken in the ordinary course of business on a arm's length basis.

4. Related party information (continued)

(d) Compensation of key management personnel

Key management personnel include the Board of Directors, Chief Executive and members of the executive team. Compensation paid to these members is as follows:

	6 months Dec-19 (unaudited) NZ$000	6 months Dec-18 (unaudited) NZ$000	12 months Jun-19 (audited) NZ$000
Salaries and short-term benefits	884	864	1,627
Post-employment benefits	30	29	42
	914	893	1,669

Chief Executive's Remuneration; FY20 salary and benefits $417,000, plus short term incentive $75,000 (maximum potential). FY19 actual salary and benefits $391,000, plus short term incentive $101,000.

QV Group's Remuneration and Reward approach is to pay fair and competitive market rates to attract and retain the best people and to align individual rewards with the objectives of the business. Executive remuneration is reviewed annually to ensure people are fairly rewarded for their contribution to the business. In setting remuneration QV reviews market information including from similar sectors and sized businesses.

QV has a formally constituted People Committee made of at least two members of the Board. The Committee assists the Board to ensure a working environment and culture where QV can fulfil its overarching responsibilities. The People Committee is responsible for recommending terms of employment of the Executive, as well as reviewing and recommending the remuneration, incentive targets and performance of the CEO. The People Committee is also responsible for reviewing the Company's remuneration position against market movement and trends, and to recommend the total overall remuneration adjustment for QV people.

The Board is committed to ensure the remuneration practices of the Executive are appropriate, fair and transparent. The Executive team remuneration has two components; fixed remuneration and an annual short-term incentive designed to reward performance within the current financial year. Each year the Board reviews and approves the key performance indicators for each Executive. The Board is also responsible for assessing the performance of the Executive and signing off the annual performance incentive of the QV Executive at the end of the financial year.

Further detail relating to the Executive remuneration at year-end assessment will be shared within the Annual Report 2019/2020.

5. Other Disclosures

Contingent assets and liabilities

There were no material change in contingent assets or liabilities for the Group during the period.

Bonds

The Group has performance bonds for contracts undertaken in Australia together with rental bonds on properties occupied. The table below details the values associated with the Group for these bonds:

	12 months Jun -19 (audited) $NZ'000	12 months Jun -18 (audited) $NZ'000
Rental bonds	156	183
Contract performance bonds	1,140	938
Total bond value[5]	1,296	1,121

[5] Bonds disclosed as per the audited financial statements for the 2018 and 2019 year ends.

Professional indemnity claims

The Group is not currently subject to any quantified or unquantified professional indemnity claims.

Holidays Act 2003

A number of New Zealand's public and private organisations have identified issues with the calculation of leave entitlements under the Holidays Act 2003 (the Act). During the year the Group instructed its payroll service provider to assess its compliance with the Act. The assessment identified some instances of non-compliance with the calculation methods prescribed by the Act.

The Group estimates the potential liability could be in the range of $0.5m to $1.5m for the Group. Given the high level of uncertainty the final outcome could fall outside this range.

Two phases will be completed this financial year, ensuring the current system is compliant with the Act and a detailed analysis of the liability at an individual level of the over and under payments.

Legal costs

During the reporting period two valuers had their cases reviewed by the Valuer Registration Board (VRB) and found against them. A provision has not been recognised for either case given final costs have not been determined. The majority of the exposure would be for legal fees, plus other costs and fines. This matter is anticipated to be finalised before the end of the financial year.

Capital commitments

There were no capital commitments for the Group as at 31 December 2019.

Events occurring after balance date

There are no material events that occurred subsequent to balance date requiring adjustment to or disclosure in these unaudited condensed consolidated financial statements.

Key Performance Indicators

for the six months ended 31 December 2019

	6 months Dec-19 Actual	6 months Dec-19 SCI Target[6]	6 months Dec-18 Actual	12 months Jun-19 Actual
Gross margin	43.80%	31.73%	32.41%	33.25%
Surplus/(loss) after tax, impairment and amortisation before dividends ($000)	2,477	(901)	(214)	(556)
Surplus after taxation and impairment/revenue	11.76%	(5.42)%	(1.23)%	(1.63)%
EBIT/tangible assets	50.37%	(10.74)%	(3.50)%	(5.89)%
Interest cover (EBITDA/interest)	44.68	(12.21)	10.93	11.09
Shareholder return	18.60%	(5.97)%	(1.41)%	(1.31)%
Dividend yield	1.80%	1.66%	0.00%	0.00%
Dividend payout[7]	29.98%	29.02%	0.00%	0.00%
Operating margin (EBITDA/revenue)	22.15%	(0.50)%	2.51%	2.66%
Current ratio	191.02%	124.61%	139.79%	103.42%
Net debt/net debt + equity ratio (maximum 30%) gearing ratio[8]	25.41%	13.90%	12.92%	6.08%
Return on equity	26.63%	(11.66)%	(2.58)%	(6.91)%
Return on capital employed (EBIT/ave debt + equity)	26.57%	(10.22)%	(2.50)%	(4.60)%

[6] The SCI targets for 2020-2023 did not include the impact of adoption of NZ IFRS 15 from 1 July 2018.

[7] Ordinary Dividend paid relates to FY18, paid in July 2019. As such the operating cash flow relates to FY18.

[8] Gearing ratio at December 2019 reflects impact of NZ IFRS16 leases which is recognised on balance sheet from 1 July 2019, whilst comparatives have not been restated. Removing the impact of NZ IFRS16 this ratio would be -0.33%

Directory

for the six months ended 31 December 2019

Gregory Fortuin	Chair (appointed 21 August 2019)
Kim Wallace	Deputy Chair (appointed 1 May 2012)
Joanne Conroy	Director (appointed 1 November 2018)
Conor English	Director (appointed 1 May 2018)
Paula Jackson	Director (appointed 01 November 2016)
Hon Mark Burton	Director (appointed 21 August 2019)
Alex Skinner	Director (appointed 13 November 2019)
Mads Moller	Director (appointed 13 November 2019)
Jacquie Barker	Chief Executive
Rob Bullock	Chief Financial Officer
Rochelle Clancy	Chief People Officer
Brendon Bodger	General Manager Operational Transformation

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Auditor	Audit New Zealand, on behalf of the Controller and Auditor-General
Banker	Westpac Banking Corporation
Solicitor	DLA Piper New Zealand

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